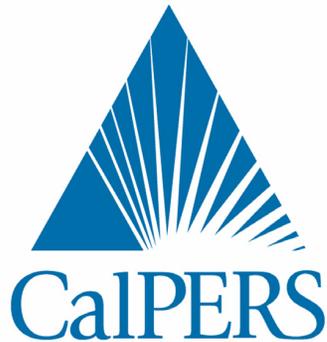


# Medicare Part D Retiree Drug Subsidy



Health Benefits Committee

April 22, 2008

# Recommendations

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1. Employ disbursement strategy linked to RDS funds actually received and reconciled
2. Distribute RDS funds to contracting agencies based on each agency's contribution toward its retirees' health care premiums
3. Establish procedure between CalPERS, State Controller's Office and contracting agencies for distribution of funds
4. Distribute future year funds in same manner after required reconciliations

# Participation in Medicare Part D

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- For 2006, 2007, and 2008, CalPERS Board of Administration voted to participate in Part D by applying for the RDS subsidy
- Based on contracting agency annuitant claims experience, CalPERS received \$14 million for 2006 RDS claims

# Reconciliation Process

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- CMS receives RDS payments based on eligibility information from CalPERS and claims information from our health plan partners
- Within 15 months of end of subsidy period, CalPERS must reconcile its accounts
- 2006 subsidy successfully reconciled on March 17, 2008 (2 weeks early!)

# Distribution of Subsidy

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- Statute allows state to appropriate RDS funds to reduce General Fund contributions toward retiree health benefits
- Treat contracting agency RDS funds distribution same as state's portion



# Distribution of Subsidy

## RDS Funds Available for Distribution to Contracting Agencies (Estimated 2006)

Category	Amount
2006 contracting agency RDS funds received	\$14,046,628
Less estimated CalPERS annual administrative costs	(\$153,108)
Less 5% reserve (for potential reconciliation discrepancies as result of audit)	(\$702,331)
<b>Total 2006 contracting agency RDS funds available for distribution</b>	<b>\$13,191,189</b>

# Distribution of Subsidy

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- Distribution Methods:
  - Claims Experience (Not viable)
  - Average Spend (Not equitable)
  - Employer Premium Contribution (Viable and equitable)



# Distribution of Subsidy

## Employer Premium Contribution distribution method

Contracting Agency Contribution Toward Retiree Health Care Premiums	Total Amount Contributed Toward Retiree Health Care Premiums by all Contracting Agencies	Contribution Ratio	RDS Attributed to Contracting Agencies	Contracting Agency Employer Subsidy Share
\$40,000	÷ \$400,000	= 10%	x \$100,000	= \$10,000

# Recommendations

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